

Message Text

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ACTION AF-06

INFO OCT-01 EUR-12 IO-11 ISO-00 SP-02 USIA-15 AID-05 EB-07

NSC-05 CIEP-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01

CIAE-00 COME-00 FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06

LAB-04 SIL-01 /110 W

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R 041031Z MAR 76

FM AMEMBASSY PRETORIA

TO SECSTATE WASHDC 3936

INFO AMEMBASSY BERN

AMCONSUL CAPE TOWN

AMCONSUL DURBAN

AMEMBASSY GABORONE

AMCONSUL JOHANNESBURG

AMEMBASSY MASERU

AMEMBASSY MBABANE

US DEL MTN GENEVA

USMISSION GENEVA

USMISSION OECD PARIS

AMEMBASSY LONDON

UNCLAS PRETORIA 0955

CAPETOWN ALSO FOR EMBASSY

E.O. 11652: N/A

TAGS: EFIN, SF

SUBJ: FALL IN RESERVE BANK " NET RESERVES"

REF : PRETORIA 925

1. THE SOUTH AFRICAN RESERVE BANK PUBLISHES A WEEKLY STATEMENT OF ITS ASSETS AND LIABILITIES. THIS STATEMENT GIVES FIGURES FOR THE BANK'S GOLD HOLDINGS (VALUED AT R29.55 PER OUNCE) AND FOR TOTAL HOLDINGS OF GOLD AND FOREIGN ASSETS. THE LIABILITIES COLUMN INCLUDES A FIGURE FOR " OTHER LIABILITIES", I.E. LABILITIES
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OTHER THAN CAPITAL, RESERVE FUND, NOTES IN CIRCULATION AND DEPOSITS

2. THE GOLD FIGURE HAS HELD STEADY AT BETWEEN R519 MILLION AND R576M SINCE 1972. THE FINANCIAL PRESS HAS TENDED TO LOOK AT TOTAL GOLD AND FOREIGN ASSETS, WHICH MOVED AS FOLLOWS SINCE AUGUST OF LAST YEAR (FIGURES IN MILLIONS OF RAND):

AUG 31 793.7
SEPT 19 769.0
SEPT 30 933.4
OCT 31 972.3
NOV 30 972.1
DEC 31 939.6
JAN 30 959.8
FEB 27 859.2

AS THESE FIGURES SHOW, THERE WAS A DROP, BUT NOT A DRAMATIC ONE, BEFORE THE SEPTEMBER 22 DEVALUATION AND A SOMEWHAT GREATER DROP IN FEBRUARY.

3. MUCH MORE SIGNIFICANT IS THE FIGURE FOR "NET RESERVES" I.E. TOTAL GOLD AND FOREIGN ASSETS LESS "OTHER LIABILITIES", WHICH INCLUDE SHORT-TERM FOREIGN BORROWING BY THE RESERVE BANK. THE "NET RESERVES" HAVE RECORDED THE FOLLOWING:

AUG 31 221.2
SEPT 19 88.6
SEPT 30 170.0
OCT 31 224.0
NOV 30 251.0
DEC 31 116.7
JAN 30 132.5
FEB 27 MINUS 19.5

4. THESE FIGURES SHOW A MUCH MORE DRAMATIC CHANGE JUST BEFORE THE DEVALUATION THAN DO THE FIGURES FOR GOLD AND FOREIGN ASSETS. THE CHANGE IN FEB WAS EVEN GREATER.

5. COMMENT. NOT SURPRISINGLY, THE RESERVE BANK GENERAL MANAGER HAS CONFIRMED THAT THE BANK ITSELF PAYS MUCH MORE ATTENTION TO NET RESERVES THAN IT DOES TO THE GOLD AND FOREIGN ASSETS FIGURE. THE
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DETERIORATION IN THE NET RESERVE POSITION IS CLEARLY WORRYING THE AUTHORITIES, PARTICULARLY SINCE THE MARKET VALUE OF THE GOLD RESERVES (IN DOLLARS) HAS ALSO DETERIORATED SINCE LAST AUGUST. EDMONDSON UNQUOTE

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